

FACT SHEET

HMSA Terms for the Exercise of the EUTF Two-Year Contract Option

I. Rates

The active employees combined weighted average increase from FY04-05 to FY05-06 for medical and prescription drug coverage will be 7.4%. There are 38,755 active employees and 27,758 retirees covered under the HMSA contract. In FY05-06 employer-employee premium increases are expected to be \$11.8 million. The overall weighted average increase is 3.1%. Specific percentages are as follows:

- * Active employee medical plans (8.3% increase)
- * Active employee prescription drug plans (4.3% increase)
- * Retiree medical plans (3.2% decrease)
- * Retiree prescription drug plans (3.2% decrease)

The active employee maximum combined weighted average increase from FY05-06 to FY06-07 for medical and prescription drug coverage will be 8.9%. In FY06-07 the maximum employer-employee premium increases are expected to be \$21.6 million. The overall weighted average increase is limited to 5.4%. Specific percentages are as follows:

- * Active employee medical plans (8%)
- * Active employee prescription drug plans (12%)
- * Retiree medical plans (0% increase)
- * Retiree prescription drug plans (0% increase)

Note: The actual rates for the second year will be set based on the EUTF's claims experience, but will not exceed these caps.

II. Surplus

HMSA will return to the EUTF the surplus from the EUTF's first year of operation and will not have the surplus available to offset any losses they suffer in the second year. The current estimate of the surplus is \$17.5 million. The actual amount returned will be determined as of October 28, 2004 (date of return under the contract) and will be subject to a final reconciliation.

III. Administrative Expenses

HMSA will reduce administrative expenses (or retention) from 7.1% to 6.5% for active employee plans and 6.0% for retiree plans and convert the administrative expenses from a percentage of the premium to a per-employee cost. Administrative expenses will only increase in the second year of the contract extension to the extent the number of beneficiaries increases.

IV. Retrospective Premium Agreement

In the second year of the contract extension EUTF will hold 2% of the premium and will only be required to remit any portion of the 2% to HMSA in the event of a deficit.